

## Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>09-0925/4</b>	<b>Introduction Number</b> <b>AB-0447</b>	
<b>Description</b> Payday loan providers, providing an exemption from emergency rule procedures, granting rule-making authority, and providing a penalty		
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect  <input type="checkbox"/> Indeterminate                      <input type="checkbox"/> Increase Existing Appropriations                      <input type="checkbox"/> Decrease Existing Appropriations                      <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget                      <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No  <input type="checkbox"/> Decrease Costs                 </div> </div> <b>Local:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs  <input type="checkbox"/> Indeterminate                      1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 33%;"> <b>5. Types of Local Government Units Affected</b>  <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns  <input type="checkbox"/> Counties  <input type="checkbox"/> School Districts                         </div> <div style="width: 33%;"> <input type="checkbox"/> Village  <input type="checkbox"/> Others  <input type="checkbox"/> WTCS Districts                         </div> <div style="width: 33%;"> <input type="checkbox"/> Cities                         </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> <b>Fund Sources Affected</b>  <input type="checkbox"/> GPR   <input type="checkbox"/> FED   <input checked="" type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEGS s. 20.144(1)(g) and s. 20.144(1)(h)                     </div> <div> <b>Affected Ch. 20 Appropriations</b> </div> </div>		
<b>Agency/Prepared By</b>  DFI/ Susan Dietzel (608) 267-0399	<b>Authorized Signature</b>  Susan Dietzel (608) 267-0399	<b>Date</b>  10/5/2009

## **Fiscal Estimate Narratives**

**DFI 10/5/2009**

<b>LRB Number</b> 09-0925/4	<b>Introduction Number</b> AB-0447	<b>Estimate Type</b> Original
<b>Description</b> Payday loan providers, providing an exemption from emergency rule procedures, granting rule-making authority, and providing a penalty		

### **Assumptions Used in Arriving at Fiscal Estimate**

This bill defines "payday loan provider" and includes certain requirements for the industry and for the Department of Financial Institutions.

The Department is to develop rules for governing payday loan providers, including prescribing the form and content of an annual report and establishing a filing fee. The Department is also to develop written educational materials.

#### **Informational Material**

This bill requires the department to develop written informational materials to educate individuals on payday loans and the payday loan industry as well as other options for borrowing funds. The informational materials are also to include aggregate data from annual reports submitted to the Department by payday loan providers. This information is to be updated annually and made available, upon request, to payday loan providers and to the public. Payday loan providers are to give a copy of the material to each loan applicant. The information is to be made available on the department's web site as well as in printed format. The Department may charge payday loan providers a fee for printed copies of the informational material.

In 2008, there were nearly 1.7 million payday loans. It is believed that the majority of the lenders will prefer to obtain their informational materials to provide to their applicants from the Department's website. However, it is assumed that approximately 200,000 paper copies of the material will be required to be printed and mailed. The estimated cost for printing and mailing 200,000 two-sided copies is approximately \$12,500. This is an annual cost as new information is to be provided each year. The cost for this will be covered by fees charged to the providers.

#### **Annual Report**

There are currently 84 licensed payday lenders with 528 offices. Each of the 84 lenders will be required to submit an annual report to the Department containing information related to their business the previous year. The Department is then to aggregate that information to include in the informational material.

The Department will need to create an on-line application to collect the information, produce the required calculations and receive the annual report fee. The information will also need to be made available on the Department's website. It is estimated that one-time information technology costs will be approximately 500 hours at \$60 per hour, or a total of \$30,000.

#### **Division Staff Costs**

The Division of Banking estimates that it will take approximately one-quarter FTE annually to promulgate rules, develop educational materials, enter and compile annual report information, inform the industry and respond to questions, review and follow up on submitted reports, and address non-compliance issues. At an average staff salary of \$62,300, plus fringe benefits of \$25,600, the cost to fund one-quarter position is \$22,000

#### **Revenue**

The estimated \$12,500 cost of printing and mailing the educational materials will be covered by fees charged to the providers.

Assuming an annual report fee of \$100, estimated annual revenue received from the 84 pay day lenders is \$8,400.

**Fiscal Estimate Summary**  
**Ongoing Expenditures:**

Printing and Mailing Educational Materials \$12,500  
Salary and Fringe Benefits 22,000  
Total Estimated On-Going Costs \$34,500

On-Going Revenue:

Fees recovered from printing and mailing educational materials \$12,500  
Annual Report Fees 8,400  
Total Estimated Revenue \$20,900

One-Time Costs:

Information Technology Costs \$30,000

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Payday loan providers, providing an exemption from emergency rule procedures, granting rule-making authority, and providing a penalty			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$30,000 one-time technology costs			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$22,000	\$	
(FTE Position Changes)			
State Operations - Other Costs	12,500		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$34,500</b>	<b>\$</b>	
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS	34,500		
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS	20,900		
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$20,900</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$34,500	\$	
NET CHANGE IN REVENUE	\$20,900	\$	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>	
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	10/5/2009	